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## Russian Federation

### Oilseeds and Products

### July Update

### 2004

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**Report Highlights:**

Sunflowerseed planted area is estimated to be up by 0.5 million to 4.7 million hectares, 500,000 hectares lower than last year's record. However, late sowing and germination may negatively affect harvested area and reduce yields. Therefore, the production forecast is raised by only 100,000 metric tons, proportionally less than area, to 4.3 million metric tons.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Moscow [RS1]  
[RS]

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## Executive Summary

Forecasted area planted to sunflowerseeds is increased to 4.7 million hectares, only 500,000 hectares lower than last year's record. However, late sowing and germination may lead to lower harvested area and yield, and the production forecast is thereby raised only by 100,000 metric tons to 4.3 million metric tons (mmt). Sunflowerseed imports are forecasted to increase to 100,000 metric tons. This expanded trade is stimulated by greater demand by the Russian crushing industry. Similarly, sunflowerseed exports in 2004 will decline year-to-year to 200,000 metric tons.

## Sunflowerseeds

Official data from the beginning of June show planted area at 4.3 million hectares, a figure that confirms the Russian Ministry of Agriculture's initiative to decrease area planted to sunflowerseeds in 2004 by one million hectares from the record 5.3 million hectares in 2003. However, private analysts estimate that planted area already totals 4.6 million hectares and may finally reach 4.8 million hectares. According to traders, the difference between official reports and actual planted area is especially significant in Krasnodar kray and in Rostov oblast; although grain crop production brought farmers better net returns than sunflowerseeds in 2003, many farmers in those areas consider grain production riskier, due to weather and price, than extensive sunflowerseed production. The rapid growth of crushing facilities owned by big holding companies also guarantees farmers in southern Russia some market stability, and provides a stimulus to maintain significant sunflowerseed output. For these reasons, Post increases the planted area forecast to 4.7 million hectares. However, due to cool and rainy weather, moist soil, and surface hardpan at the end of April and in May, germination was slower than normal in the main area sunflowerseed regions, and fall harvesting may lag behind normal pace. Thus, harvest losses are expected to be greater and yields will be lower, and Post increases its production forecast by only 100,000 metric tons to 4.3 million metric tons.

Experts estimate domestic crushing capacity at 5.0 mmt. Many domestic facilities are owned by large companies with sufficient business acumen to keep their new equipment working constantly. This will drive demand for raw materials and in particular to intensify sunflowerseed imports in 2004/05 from Ukraine, where the crop is estimated to be good. Therefore, the import forecast is increased to 100,000 metric tons. Exports are forecast to decrease to 200,000 metric tons due to attractive domestic prices and demand. The main market for these decreased exports will be Turkey, whose dealers are very active in southern Russia. Ending sunflowerseed stocks are forecast at 20,000 metric tons.

Domestic sunflowerseed crush is forecast to increase to 4.05 mmt with a corresponding increase in sunflowerseeds oil production to 1.6 mmt. As domestic demand for these products is strong, the forecast of industrial and food consumption of sunflowerseed oil is increased, too.

Table 1. PSD, Sunflowerseeds, Thousand Hectares, Thousand Metric Tons

<b>PSD Table</b>						
<b>Country</b>	<b>Russian Federation</b>					
<b>Commodity</b>	<b>Oilseed, Sunflowerseed</b>		(1000 HA)(1000 MT)			
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
<b>Market Year Begin</b>		09/2002		09/2003		09/2004
Area Planted	4117	4117	4850	5327	4200	4700
Area Harvested	3798	3798	4850	4870	4200	4350
Beginning Stocks	5	5	25	25	25	25
Production	3685	3685	4850	4868	4200	4300
MY Imports	5	5	10	10	0	100
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	3695	3695	4885	4903	4225	4425
MY Exports	200	200	400	400	200	200
MY Exp. to the EC	100	100	250	250	100	100
Crush Dom. Consumption	3300	3300	4000	4000	3850	4050
Food Use Dom. Consump.	100	100	260	260	100	100
Feed,Seed,Waste Dm.Cn.	70	70	200	218	55	55
TOTAL Dom. Consumption	3470	3470	4460	4478	4005	4205
Ending Stocks	25	25	25	25	20	20
TOTAL DISTRIBUTION	3695	3695	4885	4903	4225	4425

Table 2. PSD, Sunflowerseeds Oil, Thousand Metric Tons

<b>PSD Table</b>						
<b>Country</b>	<b>Russian Federation</b>					
<b>Commodity</b>	<b>Oil, Sunflowerseed</b>				<b>(1000 MT)(PERCENT)</b>	
	<b>2002</b>	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
<b>Market Year Begin</b>		<b>09/2002</b>		<b>09/2003</b>		<b>09/2004</b>
Crush	3300	3300	4000	4000	3850	4050
Extr. Rate, 999.9999	0,3924	0,3924	0,3950	0,3950	0,4000	0,3951
Beginning Stocks	40	40	25	25	45	45
Production	1295	1295	1580	1580	1540	1600
MY Imports	170	170	160	160	160	160
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1505	1505	1765	1765	1745	1805
MY Exports	155	155	170	170	160	170
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	300	300	310	310	310	340
Food Use Dom. Consump.	1005	1005	1220	1220	1230	1250
Feed Waste Dom. Consum	20	20	20	20	20	20
TOTAL Dom. Consumption	1325	1325	1550	1550	1560	1610
Ending Stocks	25	25	45	45	25	25
TOTAL DISTRIBUTION	1505	1505	1765	1765	1745	1805

## Policy

There are no changes in government policy from the previous report, and actually no consistent policy towards the oilseed sector, except for import regulations often initiated by oilseed products users such as poultry and livestock producers or vegetable oil processors. The Russian Ministry of Agriculture does not determine sown area or oilseed production, nor doesn't have any means to do so. However, the Ministry has set a goal to increase oilseed production in Russia to 7.0 mmt by 2010, including 5.0 mmt of sunflowerseeds, 700,000 metric tons of soybeans, 1.0 mmt of rapeseeds and over 200,000 metric tons of other oilseeds.

The present growth of total oilseed output is due entirely to an expansion in sunflowerseed production; production of other oilseeds, including "traditional" Russian oilseeds, including rapeseeds, oil-bearing flax, castor beans, hemp, and mustard, is actually decreasing. Oilseed industry experts are advising agriculturalists that along with an improvement in sunflowerseed agronomic practices, it is critical for Russia to increase rapeseed production. Rapeseed thrives in the mild Russian climate, and works well in a rotation with grain crops.

Area dedicated to soybean production is decreasing, and a year ago, the Ministry of Agriculture of the Russian Federation approved a program on development of domestic production of soybeans called "Russian Soya". The program foresees an increase in soybean production by 2010 to 700,000 metric tons, including production of 350,000 metric tons of "food-quality" varieties. However, the Russian Ministry of Agriculture does not have the means to support an increase in soybean production, and in the near term, sunflowerseeds

will remain the overwhelmingly dominant crop in this sector. In the end, actual production volume will be determined by weather conditions and demand by domestic crushers.

### **Vegetable Oil Trade**

Russian vegetable oil exports are forecast to increase in MY 2004 to 180,000 metric tons, including 170,000 metric tons of sunflowerseed oil and 10,000 metric tons of other vegetable oils, including mustard oil, flax oil and blended vegetable oils. But, an expansion of Russian oil exports will be limited by the high and growing domestic demand for vegetable oil for processing and food consumption, and the limited ability of Russian traders to promote their own brands in foreign markets. In October 2003 through April 2004, Russia exported 135,000 metric tons of raw sunflowerseeds oil and 7,000 metric tons of refined oil, but exports were decreasing in spring, and are forecast to be low in the summer. Therefore, Post does not change the total MY 2003 estimate of 160,000 metric tons.

During October 2003 to April 2004, Russia imported almost 400,000 metric tons of vegetable oil, including 47,100 metric tons of soybean oil (less than 60 percent of last year's level for the same period), 92,000 metric tons of sunflowerseed oil (96 percent of last year), and 236,400 metric tons of palm oil (24 percent greater than last year). Domestic demand for vegetable oil is large and growing, as it is used primarily for food product production, including new types of foods like vegetable spreads, production of mayonnaise, and for consumer-bottled vegetable oils for which the market is increasing steadily. In contrast, the expansion of margarine production has slowed down, and margarine processors accuse importers of identical and similar products like spreads and vegetable butter of damaging their market.

Cheap imports of palm oil in boxes also compete with domestic margarine production. Recently the Oils and Fats Union of Russia examined the market and claimed that palm oil imports are unfair: the price of palm oil in boxes is declared at Russian Customs at \$430 per metric ton and lower, and for some shipments the price is even declared at \$150 per metric ton, while the price of fluid oil tat (which should be less expensive) is \$504 per metric ton.

The recently proposed government rules to label any food product that contains at least 0.9 percent of GMO sources may cause uncertainty amongst food processors, and at least in the short run, decrease demand for soybean oil and soybean ingredients, whether they are made of GMO or non-GMO beans.